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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1957

No. 385

LIVESAY INDUSTRIES, INC., a Florida Corporation, and EVERETT G. LIVESAY WINDOW COMPANY, INC., a Florida Corporation,

Petitioners,

-vs-

LIVESAY WINDOW COMPANY, INC., PRE-CAST CORPORATION, LEWIS MANUFACTURING COMPANY, SOUTH-WEST EQUIPMENT, INC., all Florida Corporations; and HOLLIS RINEHART, JOHN T. LEWIS, CARLOTTA LEWIS, and JACK PLUNKETT,

Respondents

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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TO THE HONORABLE, THE CHIEF JUSTICE AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

The petitioners, LIVESAY INDUSTRIES, INC., a

Florida Corporation, and EVERETT G. LIVESAY WINDOW COMPANY, INC., a Florida Corporation, pray that a writ of certiorari issue to the United States Court of Appeals for the Fifth Circuit to review the judgment and opinion of the United States Court of Appeals for the Fifth Circuit, dated June 24, 1958, entered after rehearing was denied on July 28, 1958, which affirmed the judgment of the District Court of the United States for the Southern District of Florida, Miami Division, entered November 20, 1956, discharging a rule to show cause in a civil contempt proceedings.

OPINIONS OF COURTS BELOW

The opinion sought to be reviewed by this petition for writ of certiorari is LIVESAY INDUSTRIES v. LIVESAY WINDOW COMPANY, 1958, **256 F. 2d, 1.** (Appendix D, Pages D 1 to D 7). Opinions of the United States Court of Appeals for the Fifth Circuit, rendered in the same cause and referred to in the said opinion sought to be reviewed hereby, are LIVESAY INDUSTRIES, INC., et al v. LIVESAY WINDOW COMPANY, INC., Fifth Circuit, 1953, **202 F. 2d.** 378, (Appendix B, Pages B 1-B 11) and LIVESAY WINDOW COMPANY, INC., v. LIVESAY INDUSTRIES INC., et al, Fifth Circuit, 1958, **251 F. 2d. 470.** (Appendix C, Pages C 1 to C 14). A relevant opinion of the District Court, Southern District of Florida, Miami Division, referred to in said opinion of said Court of Appeals reported at **202 F. 2d. 378,** (Appendix B) and thereby made a part of the law of the case is LIVESAY v. DROLET, **38 F. Supp. 885.** (Appendix A, Pages A 1 to A 13). A copy of each of said opinions is appended hereto in chronological order, as Appendix A, Appendix B, Appendix C and Appendix D.

GROUNDS ON WHICH JURISDICTION OF UNITED STATES SUPREME COURT IS INVOKED

The jurisdiction of the court is invoked on the grounds that the United States Court of Appeals, Fifth Circuit, (a) has decided a Federal question in a way in conflict with applicable decisions of the United States Supreme Court, (b) has rendered a decision in conflict with the decision of another Court of Appeals on the same matter, (c) has so far sanctioned a departure by a District Court from the accepted and usual course of judicial proceedings as to call for an exercise of power of supervision by the United States Supreme Court.

(i) The date of the judgment sought to be reviewed is June 24, 1958, and its entry was on June 24, 1958, (R. 784). (The opinion in connection with said judgment is Appendix D hereto appended).

(ii) The Order denying a petition for rehearing was entered on July 28, 1958. (R. 798).

(iii) The United States Supreme Court has jurisdiction to review the said judgment and opinion under 62 Stat. 928; 28 U.S.C. 1254 (1), Act of June 25, 1948.

QUESTIONS PRESENTED FOR REVIEW

(1) DOES THE OPINION SOUGHT TO BE REVIEWED FIND FACTS AND LAW THEREIN CONTRARY TO FACTS AND LAW WHICH HAD ALREADY BECOME RES JUDICATA UNDER FORMER DECISIONS IN THE SAME CASE?

Petitioners contend the finding that respondents had no intent or purpose that frames sold be used in an infringing combination in violation of the injunction, was a finding contrary to facts and law which had become res judicata.

(2) UNDER FACTS RES JUDICATA AND CONCEDED OR UNCONTRADICTED FACTS, COULD THERE HAVE BEEN A FINDING IN THE OPINION SOUGHT TO BE REVIEWED, THAT RESPONDENT HAD NO INTENT OR PURPOSE THAT FRAMES SOLD BY IT BE USED IN AN INFRINGING COMBINATION, WITHOUT SUCH A FINDING BEING ARBITRARY OR OBVIOUSLY ERRONEOUS?

STATEMENT OF CASE

The judgment and opinion of the United States Court of Appeals, Fifth Circuit, sought to be reviewed, affirmed a judgment of the District Court for the Southern District of Florida, Miami Division, discharging a rule to show cause in a civil contempt proceedings at the conclusion of the evidence offered by petitioners without any evidence from the respondents. The case was a patent infringement case in which the respondents were enjoined and restrained from selling any precast monolithic concrete window frames with the knowledge, intent and purpose that it should be used in a combination which would infringe the patent involved. (Injunction Appendix Pages D 3-4). Said injunction had been affirmed by said Court of Appeals (Appendix B) and certiorari was denied by the United States Supreme Court. 346 U. S. 855, 98 L.E. 369, 74 S.C. 70. Petitioners had been awarded damages for infringement of said patent and for attor-

neys' fees in the aggregate sum of EIGHT HUNDRED FORTY-ONE THOUSAND FOUR HUNDRED FORTY AND NO 100 ($841,440.00) DOLLARS, and such judgment for damages had been affirmed by said Court of Appeals. (Appendix C).

After years and years of litigation the petitioners have received nothing from said judgment although the same was never superseded (Appendix Page C 14). Even the fee of the Special Master was never paid (Opinion Court of Appeals Appendix Note 3, Page C 3). The individual respondents were the officers and directors of the judgment debtor, in complete control of its affairs, and in complete control of the entire litigation in the lower and appellant court, actively participating therein, as is shown throughout the entire record. Just prior to the entry of said judgment for damages the individual respondents liquidated the judgment debtor to avoid the judgment, transferred all its assets to the respondent dummy corporations for stock of such corporations and then declared dividends of such stock to themselves (Minutes directors' meetings of judgment debtor — a. individual respondents advised judgment debtor that judgment to be entered would be substantial, R. 400, b. individual respondents formed respondent dummy corporations to take assets of judgment debtor, R. 409-411, c. individual respondents voted themselves dividends of all stock of respondent dummy corporations which had been the consideration of transfer of assets of said judgment debtor, R. 412-413, d. individual respondents discontinued and liquidated business of judgment debtor, R. 421-422, e. all respondent dummy corporations continued the business of judgment debtor using the same land and equipment, R. 430-432, and keeping the same offices, R. 438-439, and,

f. the respondent, John T. Lewis, President of the judgment debtor, testified as to such continuation of business by respondent dummy corporations.).

Said Court of Appeals, in affirming said District Court in discharging said rule in civil contempt without the respondents having offered any testimony, held as follows:

1. The accounting proceedings before the master (being the same as those upon which was based the said judgment) were in evidence in the contempt proceedings as against the judgment debtor. These accounting proceedings included evidence as to frames sold after the injunction. It was not necessary to decide the legal propriety of the exclusion of the same by the District Court as against the other individual respondents (Appendix Page D-6).

2. The respondent judgment debtor itself was not in contempt on the record, including the said accounting proceedings, and so the other respondents could not be in contempt (Appendix Page D-6).

3. There was no claim that the frames sold after the injunction infringed the patent. (Appendix Page D 4).

4. The trial judge was justified in finding that frames sold after the injunction were not especially made for an infringing combination, although they were capable of easy adaptation for such purpose and such adaptation was common practice known to the respondent. (Appendix Pages D 5-6).

5. The petitioners proved that respondent knew the frames sold after the injunction were being used in a combination infringing the patent but the trial court could have legally found that the respondent did not have the intent that such frames be so used. (Appendix Page D 6).

The following law and facts had become res judicata prior to the contempt proceedings:

1. All the facts and law in LIVESAY v. DROLET, 38 F. Supp. 885, (Appendix A) by express words in the decision of said Court of Appeals in its opinion, LIVESAY INDUSTRIES v. LIVESAY WINDOW COMPANY, 202 F. 2d 378 (See Appendix Pages B 8-10).

2. Said LIVESAY v. DROLET case contained the following:

> "One who sells an article capable of being installed in an infringing manner which contributes materially to the installation or use of the article in an infringing manner, whether the contributing conduct be direct or indirect, is guilty of contributory infringement."
>
> (Appendix Page A 11).

3. After said Court of Appeals had affirmed said injunction, 202 F. 2d. 378, (Appendix B), application was made to said District Court by respondents to amend said injunction to allow the manufacture and sale of frames where blind guides were to be associated with said frames after they were erected in the building. Said application recited therein that it was a long-known established or

common practice to so associate such frames with blind guides and that it was to be expected that such would be done. (R. 474-476). The said District court denied this application (R. 476). This ruling was in accordance with the law of the case quoted above in **Livesay v. Drolet** that the sale of an article capable of being installed in an infringing manner which is so installed constitutes contributory infringement.

4. Said Court of Appeals in **Livesay Window Company v. Livesay Industries, 251 F. 2d. 469,** (Appendix C) recognized that the respondents had disregarded the ruling of the District Court prohibiting them from selling frames later to be associated in an infringing combination, by denying their application for leave so to do, in the following words:

> "Other actions revealed in the record before the master suggest strongly that the infringer was not, as it was clearly entitled to do, merely resorting to a court to assert its contention, and if unsuccessful, abide the consequences."
>
> (Appendix—last sentence Page C 13)

5. In **Livesay Window Company v. Livesay Industries, 251 F. 2d. 469** (Appendix C) the following facts were found:

(a) Prior to the injunction, 82.65 percent of the total business of **Livesay Window Company, Inc.,** was infringing business, and during a period of approximately three (3) years this had aggregated TWO MILLION NINE HUNDRED TWELVE THOUSAND ONE HUN-

DRED FORTY-EIGHT ($2,912,148.00) DOLLARS in infringing business (Appendix Page C 4).

(b) Prior to the injunction, Ninety-five percent of the market for patented business was sold by the petitioners and the respondent, **Livesay Window Company, Inc.** (Appendix Page C).

(c) Petitioners had no substantial competition except from the respondent, **Livesay Window Company, Inc.** (Appendix Pages 7-8).

(d) Ninety-five percent of all residences in Dade County, Florida, had the patented combination therein and the supply for the same, prior to the injunction, was by petitioners and respondent, **Livesay Window Company, Inc.** (Appendix Page C 8).

(e) The respondents were guilty of deception and unfair practice in the continued use of the **Livesay** name (Appendix Page C 14).

6. The Special Master taking the account for damages found that the Exhibit 8 frame (found by the Court of Appeals in the opinion sought to be reviewed to be the one involved in the contempt proceedings which said opinion also found there was no claim that the same in itself was an infringement—Appendix Page D 4) was especially made and adapted for an infringing combination, was made and sold with the knowledge, purpose and intent that it would be so used, and was not a staple article or commodity of commerce suitable for substantial non-infringing use. (R. Pages 792-793). The respondent judgment debtor began the manufacture of this said Exhibit

8 frame in 1949, about two years prior to the injunction. This was done at the request of one, Huff, to accommodate a special sash of his. He testified he had never seen such a frame without blind guides installed therein. (Special Master's Report—Pages 109-110—Appeal No. 16,403, the basis of opinion, Appendix C). These Exhibit 8 frames were a part of the infringement prior to the injunction for which damages were awarded.

Objections by the respondent judgment debtor to said Special Master's findings as to said Exhibit 8 were overruled by the District Court and said findings adopted as the findings of said court in the final decree awarding damages (Pages 994-995, said Appeal No. 16,403). Said final decree was affirmed by the Court of Appeals (Appendix C) which in its opinion recognized that said District Court had adopted the said findings as the findings of the court. (Appendix Pages C 1-2).

The said findings of said Special Master and all evidence before him were in evidence before the District Court in the contempt proceedings as is shown in the opinion of said Court of Appeals sought to be reviewed hereby. (Appendix Page D 6).

On the question of intent of the respondents that frames sold by them should go into a combination which would infringe, there was, in addition to the law and facts which had become res judicata, other evidence in the record, either testimony of the respondents themselves or evidence not contradicted by the respondents, as follows:

(1) A complete patented window frame combination was displayed by respondents for advertising purposes

for at least one (1) year after the injunction. A picture of this display was in evidence, (See the picture itself immediately following R. Page 797 and immediately preceding R. Page 798—put in evidence R. Page 140). The advertising agent making such display for the judgment debtor respondent testified that payment for said display was made by said respondent (R. Pages 135-141, also Petition for Rehearing R. Pages 786-787).

(2) The respondent, Jack Plunkett, Vice-President of the respondent, **Livesay Window Company, Inc.**, testified that after the injunction he made successful bids on jobs where the specifications called for the patented window frame combination and complied with such bids by furnishing Exhibit 8 frames (the ones discussed in the opinion sought to be reviewed—Appendix Page D 4); and that there were thousands of such frames made by respondents and furnished to such infringing combinations (R. Pages 787-789).

(3) The man who worked for the judgment debtor respondent prior to the injunction by installing the blind guides of said respondent upon frames sold by it on the job, thereby producing complete infringing combinations, testified that after the injunction he bought from said respondent the stock of blind guides which it had on hand when said injunction was entered, under an agreement to pay for said blind guides in such manner as he could afford and that he installed said blind guides in infringing combinations containing frames furnished by said respondent (R. Pages 90-91). The accountant before the Master as to damages testified that he found 448 jobs on the books of said respondent for frames sold after the injunction which were also on the books of their said former

employee to whom they had sold the said blind guides necessary to the patent infringing combination and who had installed said blind guides on the job (R. Pages 173-176).

ARGUMENT

HAS THE COURT OF APPEALS IN THE OPINION SOUGHT TO BE REVIEWED DECIDED A FEDERAL QUESTION IN A WAY IN CONFLICT WITH APPLICABLE DECISIONS OF THE UNITED STATES SUPREME COURT?

Said Court of Appeals decided that Exhibit 8, the only frame sold after the injunction, was not constructed or sold for use in an infringing combination, there was no claim it infringed the patent, and that the respondent judgment debtor did not have the intent or purpose that it be so used. In making this decision said Court of Appeals found facts directly contrary to other facts which had already become res judicata in the record. As shown in the statement of case above, said Exhibit 8 frame was capable of easy adaptation in an infringing combination and it was so adapted and used (Opinion sought to be reviewed—Appendix Pages D 5-6), such a frame and such use made the same an infringing frame, (**Livesay v. Drolet**—Appendix Page A 11), the District Court denied an application of the judgment debtor respondent to amend the injunction to allow such a frame to be so used (R. Pages 474-476), the Court of Appeals found said respondent did not resort to said District Court to abide the consequences of an adverse ruling (Appendix last sentence Page C 13), 82.65 percent of the total business of

said respondent was lost because of said injunction if it obeyed the same (Appendix C-4), the Special Master taking the account found said frame was especially made and adapted for an infringing combination and was not a staple article or commodity of commerce suitable for non-infringing use (R. Pages 792-793), the District Court overruled exceptions to said findings and adopted the same as the findings of the court (Pages 994-995—Appeal No. 16,403), this was affirmed by the Court of Appeals (Appendix C) which recognized the adoption of said findings by said District Court (Appendix C-1-2), and all findings and evidence before said Master were before said District Court in the contempt proceedings (Appendix D 6).

This finding of fact in the opinion sought to be reviewed is directly contrary to facts which had already become res judicata. Said finding was clearly in conflict with the following United States Supreme Court decisions:

Partmar Corp. v. Paramount Theatres Corp. 349 U. S. 89, 98 L.ed. 532, 74 S. Ct. 414.

United States v. Munsingwear, 340 U. S. 36, 95 L.ed. 36, 71 S.Ct. 104.

Southern Pac. R. Co. v. United States, 168 U. S. 1, 42 L.ed. 355, 18 S.Ct. 18.

In the first of the cases last cited a judgment was rendered that an agreement was not in restraint of trade under the Sherman Act. It was not appealed from. The fact so adjudicated was held conclusive under the Doctrine

of Estoppel. The court distinguished the Doctrine of res judicata from that of estoppel. In the former the action conclusively settles matters that were or might have been litigated therein. The latter doctrine applies where the matter decided was in issue between the parties but arises again in another and different suit. If it was directly in issue in the former suit it will constitute an estoppel to relitigate it in the subsequent suit.

In the second of the cases last cited there was a decision against the United States to the effect that a price regulation had not been violated. An appeal from such decision was dismissed because the question became moot. The same question was involved in another count of the same case below which had been held in abeyance awaiting the decision upon the first count. The failure of the United States to move in the Court of Appeals for the proper order of dismissal in the District Court rendered the question res judicata.

The third of the cases cited above states the general rule of res judicata and held that such rule applies if the former judgment is put in evidence even though it is not pleaded.

All of the relevant decisions in the case at bar were decisions in the same case. The last decision of the Court of Appeals made findings of fact and law contrary to those of its former decisions in the same case.

The finding in the opinion sought to be reviewed that the judgment debtor respondent knew the frames sold after the injunction were being used in an infringing combination, knew that such frames were capable of

easy adaptation for such purpose and knew that such adaptation was a common practice, but did not have the intent and purpose that said frames be so adapted and used, is clearly in conflict with the opinion of the United States Supreme Court in **Henry v. A. B. Dick Co., 224 U. S. 1, 56 L. ed. 645, 32 S. Ct. 364.** This last cited case in holding that the defendant had the intent and purpose that an article sold be used in an infringing way stated (224 U. S. 48-49):

> "There must be an intent and purpose that the article sold will be so used. Such a presumption arises when the article so sold is only adapted to an infringing use. Rupp & W. Co. v. Elliott, 65 C. C. A. 544, 131 Fed. 730. It may also be inferred where its most conspicuous use is one which will co-operate in an infringement when sale to such user is invoked by advertisement. Kalem Co. v. Harper Bros. decided at this term (222 U. S. 55, ante, 92, 32 Sup. Ct. Rep. 20).
>
> These defendants are, in the facts certified, stated to have made a direct sale to the user of the patented article, with knowledge that under the license from the patentee she could not use the ink, sold by them directly to her, in connection with the licensed machine, without infringement of the monopoly of the patent. It is not open to them to say that it might be used in a non-infringing way, for the certified fact is that they made the sale, "with the expectation that it would be used in connection with said mimeograph." The fair interpretation of the facts stated is that the sale was with the purpose and intent that it would be so used."

In the application to the District Court to alter the injunction to permit the sale of frames later to be used in an infringing combination, made after the injunction had been affirmed, the judgment debtor respondent stated therein such proposed use as "having been established as a long-known common practice so that it is to be expected that such practices will be employed by the trade". (R. 476). Said respondent displayed a complete patented window frame combination for one year after the injunction with an advertising company (picture of such display in record between Pages 797 and 798 — evidence of payment for advertising R. Page 140). 82.65 percent of the total sales of said respondent prior to the injunction went into an infringing combination (Appendix Page C 4). 95 percent of all residences in Dade County, Florida, had the patented combination (Appendix Page C 8). Thus, we see that the most conspicuous use of said Exhibit 8 was in infringing combination, said respondent invoked such use by advertisement, said Exhibit 8 frame was sold and delivered to residences, 95 percent of which had the infringing combination, and said frames were sold by said respondent with the expectation, expressed in a motion to the court, that they would be used in an infringing combination. The decision sought to be reviewed was in direct conflict with said **Henry v. A. B. Dick Co. supra.** The United States Court of Appeals, Fifth Circuit, itself cited this United States Supreme Court case in **Southern States Equip. Corp. v. Usco Power, 209 F. 2d. 111,** on Page 121 of the opinion. This United States Supreme Court case was there cited to show that intent may be presumed as a matter of law where the accused device is incapable of any use other than an infringing use. As shown in the statement of the case it has become res judicata that said Exhibit 8 frame is infringing in itself.

HAS THE COURT OF APPEALS IN THE OPINION SOUGHT TO BE REVIEWED RENDERED A DECISION IN CONFLICT WITH THE DECISION OF ANOTHER COURT OF APPEALS ON THE SAME MATTER?

Said Court of Appeals in the opinion sought to be reviewed found that the frames sold were capable of easy adaptation for use in an infringing combination, that such adaptation was common practice, that the respondent judgment debtor knew of such common practice, and knew that frames sold by it after the injunction were being used in an infringing combination. Said Court of Appeals then found that said respondent, notwithstanding this knowledge, did not have the intent and purpose that said frames be so used.

Such decision is in conflict with the decision rendered by the United States Court of Appeals, Second Circuit, in **Freedman v. Overseas Scientific Corporation**, 218 F. 2d. 274. In this case the defendant sold strips of artificial teeth for use in dentures. The incorporation of such strips in such dentures constituted an infringement of the patent. The court in the opinion (Page 276) said:

> "The evidence warranted — indeed, we think, required — an inference that the defendants knew that these strips of teeth were especially adapted for use in dentures, that dentures incorporating such strips would in fact infringe the patent in suit and did not constitute a staple article suitable for substantial non-infringing use."

In the case at bar the judgment debtor respondent sold frames capable of being used in an infringing combination. They were incorporated in infringing combinations. Under the law of the case it had become res judicata such a frame was itself an infringing frame. Prior to the injunction 82.65 percent of the business of said respondent consisted of selling like frames to be put into infringing combinations. It was common practice to put such frames sold by said respondent into such combinations, and said respondents knew of such common practice. Such evidence and law which had become res judicata certainly warranted — indeed required — an inference that the defendants knew that such frames were especially adapted for use in such infringing combinations and knew that such frames did not constitute a staple article suitable for substantial non-infringing use, as was found by the Special Master. Such evidence is much stronger than the evidence in the said case in said Second Circuit.

HAS THE COURT OF APPEALS SO FAR SANCTIONED A DEPARTURE BY THE DISTRICT COURT FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS AS TO CALL FOR AN EXERCISE OF POWER OF SUPERVISION BY THE UNITED STATES SUPREME COURT?

Said Court of Appeals sanctioned the action of the District Court in dismissing the rule to show cause in the civil contempt proceedings without the requirement of any testimony from the respondent, by affirming said District Court in such action. Said Court of Appeals in so doing held or decided, as shown in its opinion, as here-

inafter set forth and by such decision sanctioned a departure by the District Court from the accepted and usual course of judicial proceedings, as follows:

1. Holding of Court of Appeals — there was no claim that the frames sold after the injunction infringed the patent (Appendix Page D 4).

What the record shows — (a) Such frames were capable of easy adaptation for use in an infringing combination and such adaptation was common practice known to the respondent (Appendix Pages D 5-6), and (b) a frame capable of such adaptation which becomes a part of an infringing combination is, itself, an infringing frame under the law of the case which had become res judicata. (Appendix Page A 11 — made res judicata Appendix Pages B 8-10).

2. Holding of Court of Appeals — the frames sold after the injunction were not especially made for use in an infringing combination (Appendix Pages D 5-6).

What the record shows — (a) The Special Master found such frames were especially made and adapted for an infringing combination and were in themselves infringing. (R. 792-795), (b) The District Court adopted such findings of the Special Master and this was affirmed by said Court of Appeals (Appendix Pages C 1-2), and (c) The said Court of Appeals itself held such frames were capable of easy adaptation for use in an infringing combination and such adaptation was a common practice known to the respondent (Appendix Pages D 5-6).

3. Holding of Court of Appeals — petitioners proved

that the respondent knew the frames sold after the injunction were used in an infringing combination but did not prove that respondent had the intent or purpose that such frames be so used (Appendix Page D 6).

What the record shows — (a) The respondent petitioned the District Court to permit it to sell frames after the injunction later to become a part of an infringing combination and expressly recited in such petition that it was to be expected they would be associated in an infringing combination. This petition was denied (R. 474-476), (b) The Court of Appeals in allowing attorneys' fees intimated in its opinion that the respondent did not intend to abide the consequences of this unsuccessful attempt (Appendix Page C 13), (c) The respondent displayed a complete patented window frame for advertising purposes for one year after the injunction and paid for such advertising (picture of display R. 797-798 — payment for display R. 786-787), and (d) The respondent sold blind guides on hand after the injunction to a former employee who had prior to the injunction installed such blind guides on the frames on the job. The sale was made on credit for the blind guides to be used in an infringing combination and they were so used (R. 90-91) in 448 jobs where the respondent furnished the frames (R. 173-176).

Thus, we see that in spite of facts that had become res judicata, in spite of evidence showing beyond any doubt the intent of respondent to sell frames for use in an infringing combination, and in spite of former opinions of the Court of Appeals, itself, finding facts which when taken with other conceded facts could not reasonably result in any conclusion but what the said respondent had the intent or purpose to sell frames for use in an infring-

ing combination, nevertheless, said Court of Appeals found that petitioners had not established a prima facie case showing such intent before the said District Court.

In **Gibson v. Lockheed Air Craft Service, 350 U.S. 356, 100 L. ed. 395, 76 S. Ct. 366,** it was held that a ruling on an ordinary question of law so obviously and injuriously erroneous as to call for an exercise of the power of supervision of the Supreme Court was a ground for granting a review by certiorari under Rule 19 (1) (b) of the Rules of the Supreme Court.

In **Union Tool Co. v. Wilson, 259 U.S. 107, 66 L. ed. 848, 42 S. Ct. 427,** a certiorari was granted to review the reversal of a judgment purging the petitioner from contempt. It was held in that case that the determination of the question as to whether an injunction had been violated was not exclusively or necessarily a discretionary one. The court in the opinion (259 U. S. 112) used the words:

> "Moreover, legal discretion in such a case does not extend to a refusal to apply well-settled principles of law to a conceded set of facts."

WHEREFORE, your Petitioners respectfully pray that a writ of certiorari be issued out of and under the seal of this Court directed to the United States Court of Appeals for the Fifth Circuit at New Orleans, Louisiana, commanding that Court to certify and to send to this Court, on a day certain to be therein named, a full and complete transcript of the record and all proceedings had in this case, to the end that this case may be reviewed and determined by this Court; that the said judgment of

the United States Court of Appeals for the Fifth Circuit may be reversed by this Court; and that your petitioners may have such other and further relief in the premises as may seem just and proper.

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Attorneys for Petitioners

CERTIFICATE OF SERVICE

The undersigned, J. M. Flowers, one of the Attorneys for the petitioners in the above and foregoing Petition for Writ of Certiorari, does hereby certify that said Petition for Writ of Certiorari was served by mail under Rule 33 of the Rules of the United States Supreme Court on the _____ day of September 1958, by depositing a copy of said petition in a United States Mail Box with first-class postage prepaid, addressed to Ralph L. Chappell, 165 Broadway, New York, New York, and Walter Humkey, Industrial National Bank Building, Miami 32, Florida, the counsel of record for the respondents in said petition, and that a separate copy of said petition was so mailed at said time to each of said counsel or attorneys.

J. M. FLOWERS

APPENDIX A

LIVESAY et al v. DROLET, et al

Civil Action No. 121-M

District Court, S. D. Florida.

March 3, 1941.

Reported at 38 F. Supp. 885

HOLLAND, District Judge.

This cause having heretofore come on for trial upon the issues presented by the pleadings herein, and the parties having introduced and produced testimony and proofs before the special master, and the master having made findings, the Court makes the following Findings of Fact and Conclusions of Law, to-wit:

Findings of Fact

1. The Court approves the findings of the special master appointed under Rule 53 of Federal Rules of Civil Procedure for the District Courts of the United States, 28 U.S.C.A. following section 723c.

2. This is a patent infringement suit brought by Everett Grey Livesay and Livesay Window Company, Inc., a corporation organized and existing under the laws of the State of Florida, against Emmet O. Drolet and Leigh C. Drolet, individually and as co-partners doing

business as Drolet Precast Window Company, of Miami, Florida, alleging infringement of Letters Patent No. 2,166,870, issued to Everett Grey Livesay on July 8, 1939.

3. Everett Grey Livesay is the lawful owner of the patent in suit; and the Livesay Window Company is exclusive licensee under said Letters Patent.

4. Everett Grey Livesay came into the Miami area prior to October 7, 1937, and engaged in the sale and installation of Venetian blinds. He found in the buildings he examined most of the walls were of poured concrete or preformed concrete blocks, steel sash frames and sash of the casement type being installed in window openings. This necessitated the Venetian blinds being of the non-flapping type involving the installation of blind guides engaged by anchor pins on the ends of the blinds, inasmuch as when casement sash is open at all, it opens entirely from the top to the bottom of the window. The window casement and blind installations were imperfect and generally unsatisfactory. Very few of the window openings were plumb at the sides or level at the top or bottom. The steel sash was distorted or bent from a true plane and few of the blind guides were the same distance apart from top to bottom or parallel to one another with respect to the plane of the steel sash. Few Venetian blinds would fit the window opening or the guides for which they were sized without being altered. This was largely due to the prevailing method of construction which called for successive steps of installation performed by different groups of workmen. The masons were not always careful in forming the window openings. The carpenters who secured wooden strips or "bucks" on opposite sides of the window opening to receive the sash were not always

careful to see they were parallel and one would sometimes extend above the other; and the sash frame, although originally parallel and lying in a true plane when installed against the wooden blocks which were not parallel, would be twisted to conform to the bucks. Furring strips nailed one on each side of the window opening on the inside of the wooden bucks to receive blind guides were subject to the same inaccuracies as the wooden bucks. The blind guides were next installed in such a manner so that their surfaces would be flush with the plaster when applied. If the sash frame was crooked, it was very difficult to determine just where the plaster surface would be; and the blind guides had to be built away from the furring strip so as to bring their surface into the plane of imaginary surface of the plaster and usually had three blocks inserted beneath the guides which meant the guides were inadequately supported between the blocks. The guides during the plastering operation were subject to various abuses, and as a result were generally not parallel. In time cracking of the wall around and below the sash installation would distort the steel sash producing a generally unsatisfactory condition. Steel sash frames several years old rusted and corroded, making it necessary to paint periodically. This necessitated removal of the frames which could only be done by chipping away the stucco on the outside and the plaster on the inside.

5. Livesay conceived of casting a monolithic four-sided reinforced concrete window frame of such strength and rigidity that it would resist any distortion through unequal pressure and protect a steel frame and sash within the surround, the monolithic concrete frame or surround to be of such strength that if the wall settled so as to cause a tilt of the monolithic frame, it would tilt as

a whole without any change in the right angle relationship of the four integral sides and parts within the frame.

Livesay further conceived of the casting of the monolithic four sided surround in combination with a precisely located window seating rib and with precisely located blind guides so as to have these members originally correlated with factory precision, and to maintain these members in the same relationship throughout the life of the building shielded from wall strains by the rigid resisting strength of the monolithic concrete surround. This resulted in providing an integral factory fabricated window frame unit including in combination a monolithic concrete protective surround structure or trim, with means within the bounds of said surrounding structure, precisely relatively located both initially and perpetually for accurately and removably mounting a metallic window sash frame and for accurately guiding an associated Venetian blind.

6. The precast monolithic window frame met with immediate acceptance. From a modest beginning in 1937, the dollar sales have increased until in the first four months of 1940, there was a dollar sale of $30,927.04, with a total sale for the last three years of $142,000. Only $1,200 has been expended in advertising.

Architects and builders have never heard of such construction prior to Livesay, and now recommend its use in preference to others. Inquiries were received from twenty states, South Africa and Japan, and requests for manufacturing franchises from some sixteen states.

7. After the plaintiffs had placed their product on the market, one of the defendants, Emmett O. Drolet,

who was engaged in the sale of metal sash, discussed the Livesay precast monolithic frame with the witness, Helvey, on the Dabney job, in October of 1937, and stated that he did not think precast monolithic frames were practical. In the fall of the same year, he visited plaintiff's plant, obtaining estimates on Livesay precast frames. In February, 1938, defendants produced a similar monolithic precast concrete frame, as exemplified by Plaintiffs' Exhibit 13, and contined to manufacture and sell said frames with knowledge that Livesay had applied for Letters Patent and in the face of threats of legal action upon the issuance of the patent. The manufacture of the monolithic precast frame as exemplified in Plaintiffs' Exhibit 13, was subsequent to the early conception and manufacture by the plaintiff of similar frames, as illustrated by Plaintiffs' Exhibit 3, and, as far as the record shows, such manufacture by the defendants was not a result of any knowledge or concept on the part of defendants prior to the manufacture by Livesay of such frames in June, 1937, and as between the defendants and plaintiffs, the plaintiff Livesay was the original inventor.

Variations of the blind guide installations were subsequently used as shown in Plaintiffs' Exhibits 9 and 10, but in every cast the fundamental concept of invention was retained, and defendants used or sold all three forms after the issuance of the patent in suit.

8. In Plaintiffs' Exhibit 9, the monolithic frame is precast with recesses at the sides defining longitudinal shoulders, the function of which is to precisely allocate Venetian blind guides which the said recesses are designed to receive and which blind guides are actually secured in said recesses against said shoulder both at the plant or on

the job. The forming of the recess and the placing of the blind guide therein against a shoulder or rabbet held by mastic and nails, is the equivalent of the blind guides being inbedded in the precast frame and serves the same function in substantially the same way by substantially the same means.

9. Claims 1, 2, 3, and 4 of the patent in suit read on Plaintiffs' Exhibit 9, 10 and 13, and are infringed by the manufacture, use and or sale of such structures.

10. The defendants have pleaded the following patents as anticipatory of the patent in suit, all of which were considered by the Patent Office and the patent granted after such consideration:

Niss	444302	January 6, 1891
Smith	984,611	February 21, 1911
Kennedy	991,517	May 9, 1911
Robertson	238,452	British of Aug. 20, 1925
Weaver	2,087,941	July 27, 1937

The patent to Niss, No. 444,302, Defendants' Exhibit 2, describes a Venetian blind construction of the non-flapping type and is not directed to any particular type of window frame. It shows incidentally an ordinary four piece wooden frame in which the Venetian blind is mounted. The sill A-2, lintel A', and jambs A, are presumably nailed together, and it discloses no sash frame.

Such construction is no stronger at the corner than the frictional hold of the nail in the wood and any stress would tend to change the angularity of the frame and correspondingly distort and throw out of alignment anything

supported by or within the frame. No monolithic concrete frame with a seating surface is present and there are no Venetian blind guides imbedded in the opposite sides of such a concrete frame. Such construction will not serve the same purpose nor give the same result in substantially the same way as the patent in suit.

11. The patent to Smith, No. 984,611, Defendants' Exhibit 3, describes a metal window construction adapted to be mounted in an opening in a wall and assumes that changes in the shape of the window opening will occur. It provides spring plates H between the channels B and the window sashes so that they will work properly notwithstanding the deformation in the shape of the wall opening. There is no monolithic concrete frame and no metal sash frame seated against the monolithic frame, but a metal lining consisting of three separate pieces independently anchored to the two sides and the top of the wall opening. There is no bottom member and this cannot be called a frame. No rib is present for seating the sash frame. Anchoring means c' are imbedded in the wall and three independent plates, consisting of two side plates and a top plate, are secured directly to the wall by said anchoring means. The purpose of the Smith patent is to mount independent metal side and top plates directly into a wall opening for obscuring as little as possible of the light area of said opening and providing tolerance between the sash and the plate to accommodate any change which the window opening and metal plates which are attached thereto may undergo through unequal settling of the wall. The purpose is entirely different and does not give the same result as the patent in suit.

12. The patent to Kennedy, No. 991,517, Defendants'

Exhibit 5, and the patent to Weaver, No. 2,087,941, Defendants' Exhibit 4, have no bearing on the patent in suit. The first shows an anchoring bolt in cement; the second, a blind guide constructed so that the edges are curled outwardly and away from each other to conceal any shrinkage in the plaster.

13. The British Patent to Robertson, No. 238,452, Defendants' Exhibit 6, describes a window frame composed of four light, separately cast, concrete members joined at the corner by a tongue and groove or by dowels. The frame is put together piece by piece on the job, the sill being laid on the wall and a sash frame positioned on the sill acting as a temporary support for the jambs "g" placed on opposite sides of the frame. The wall is then built up against the outside of the jambs to the top level of the sash frame and the lintel then put in place. The form is then put above the lintel and concrete poured in to form a head or supporting wall. No monolithic concrete window frame, including sides, sill and lintel, is shown, the sides, lintel and sill being held rigidly solely by masonry built around them. If distortive movements occur in the wall the four separate members being keyed into the wall must move with the wall portion, and must, therefore, break or distort at the joints. No Venetian Blind guides are imbedded in the monolithic frame. The Robertson frame is attended by all the mechanical inaccuracies which the invention of the patent in suit is designed to avoid.

13-A. It is very significant that the defendants have copied the plaintiffs' frame rather than make use of the patents set up in the answer which are said to constitute the prior art. The defendants are free to use the

structures shown in the prior patents, so that the enforcement of an injunction granted herein cannot injure the defendants in such use. On the other hand, the failure to enforce an injunction would deprive the plaintiffs of the benefits secured to them by the patent.

14. Alleged prior knowledge of the invention by the witness Pospicil was uncorroborated by other witnesses and consisted principally of oral testimony based on the recollection of the witness and blue-prints, Defendants' Exhibits 8 and 9 and so-called publications, Defendants' Exhibits 7 and 7-A. Defendants' Exhibits 7 and 7-A contain no disclosure bearing on the patent in suit and the blueprints, Defendants' Exhibits 8 and 9, are not the best evidence. Neither the original drawing nor the person making it were produced and no satisfactory explanation was made of their absence, nor do Defendants' Exhibits 8 and 9 disclose a monolithic concrete surround, nor do they disclose the invention defined in the claims of the patent in suit. Witness Pospicil, a manufacturer of alleged infringing frames, is an interested witness, and was indefinite as to persons and places of installation and fails to meet the burden of proof in such cases that the evidence must be clear, convincing and beyond a reasonable doubt. The witness after claiming to have made concrete frames in 1932 in Michigan, came to Miami in 1934 and in spite of the great need and demand for the invention in suit, failed to build a precast concrete window frame until 1938, which was subsequent to Livesay's invention. These frames constituted four pieces, separate heads, jambs and sills, and no monolithic frames were built until after witness Pospicil was familiar with plaintiffs' construction. The public demanded the monolithic precast window frames, and since the spring

of 1939, the witness has made only monolithic frames. If witness Pospicil made any precast frames prior to coming to Miami, they failed to show the inventive concept of the patent in suit, and at best were nothing more than an abandoned experiment.

15. The various defenses pleaded by the defendants are without merit, and the Livesay Patent, No. 2,166,870, issued July 18, 1939, is valid and infringed.

Conclusions of Law

1. The issuance of the patent carries with it a presumption of invention and validity which must be overcome by the defendants with proof as absolute as in a criminal conviction.

2. A departure from what is old and the imitation of the patented structure by defendants who deny invention, has been regarded as conclusive evidence of what defendants think of the patent and proof of what the rest of the world ought to think.

3. If the invention has filled the long felt want and advanced the arts substantially, the court is liberal in its construction of the patent.

4. Commercial success, although not conclusive of invention is highly persuasive, especially when the prior art shows no success along the same lines.

5. The fact that the inventive concept was not discovered nor practiced prior to Livesay although there was a definite need, is strong evidence of invention.

6. A new combination of old elements or devices whereby a new and useful product is produced or an old product is attained in a more efficient and economical way may be protected by a patent. It constitutes no anticipation and no defense to a claim of infringement that one or more elements of a patented combination, or one or more parts of a patented improvement, may be found in one old patent or publication, and others in another, and still others in a third. It is indispensable that all of them, or their mechanical equivalents be found in the same description or machine, where they do substantially the same work by the same means.

7. Structure designed merely for the purpose of avoiding the spirit of the invention, but which contains all of the elements of the claims or their equivalents, are infringements of the patent.

8. Change of location of an element of a combination if the function remains the same, will not avoid infringement.

9. If two devices do the same work in substantially the same way and accomplish substantially the same result, they are the same even though they differ in name, form or shape.

10. One who sells an article capable of being installed in an infringing manner which contributes materially to the installation or use of the article in an infringing manner whether the contributing conduct be direct or indirect, is guilty of contributory infringement.

11. Combination patents would generally be value-

less in the absence of the right to equivalents, for few combinations now exist or can hereafter be made which do not contain at least one element an efficient substitute for which can readily be suggested by any person skilled in the particular art.

12. An anticipation must be clearly proved and all reasonable doubt must be resolved against the defendant.

13. The proof must be as absolute as in a criminal conviction and the existence of doubt defeats anticipation.

14. Anticipation must be in such full, clear and exact terms as to enable anyone skilled in the art or science to which it appertains to make, construct or practice the invention to the same practical extent as would the patent sought to be invalidated.

15. There must be a complete concept of the invention by the prior user in order to constitute anticipation. Accidental results, not intended and not appreciated, do not constitute anticipation.

16. The cooperation of the means necessary to create an invention is to be measured by the purpose to be fulfilled not by the interaction of the parts. Each factor must indeed be a condition to that result but the whole may be a mere assemblage. The cooperation between them all may be no more than their necessary presence in a unit where it answers a single purpose.

17. One who appropriates the substance of a patented invention without the consent of the patentee does not escape infringement by improving upon or subtracting

from the invention as long as the essential elements are retained.

18. The patent in suit is valid and defendants have infringed Claims 1, 2, 3 and 4 by making, using and/or selling structure similar to Plaintiffs' Exhibits 9, 10 and 13.

19. Plaintiffs are entitled to their prayers for relief, and defendants should be enjoined in accordance therewith.

APPENDIX B

IN THE

United States Court of Appeals

For The Fifth Circuit

No. 13866

LIVESAY INDUSTRIES, INC., and EVERETT G. LIVESAY WINDOW COMPANY, INC.,

Appellants,

versus

LIVESAY WINDOW COMPANY, INC.,

Appellee.

Appeals from the United States District Court for the Southern District of Florida.

(February 27, 1953.)

Reported at 202 F.2d 378

Before HUTCHESON, Chief Judge, and STRUM and RIVES, Circuit Judges.

HUTCHESON, Chief Judge: These appeals are by

plaintiffs and defendant respectively from the respective provisions of the decree in a patent infringement suit which each regards as adverse to it. The decree, holding the patent valid and infringed and enjoining further infringement by the defendant, held that plaintiffs were guilty of laches in respect of the infringement, and that, because thereof, they could recover no damages resulting from the infringement prior to the decree. Further, and for the same reason, it restrained the injunction issued against further infringement so as to permit the defendant to fill all contracts and orders taken or entered into by it prior to October 5, 1951, the date of the announcement of the decree.

The case arose, it comes here, in this way. Alleging: that they are the owners of U. S. Letters Patent, No. 2166870 for an invention in concrete window trim and method of making; and that the defendant, formerly, but no longer, a licensee thereunder, is and for some time past has been, infringing and contributing to the infringement thereof; plaintiffs, on October 7, 1949, brought this suit for a preliminary and final injunction against further infringement and an accounting for profits and damages resulting therefrom.

For answer, defendant, admitting that it had at one time been a licensee under the letters patent and that it was no longer such, denied the validity of the patent and that what it was and had been doing was infringement thereof. It also, by cross-bill, charged plaintiffs with unfair competition in using "Livesay" as a part of their corporate name and sought an injunction, restraining

them from continuing to do so, and the recovery of damages for the use already made.

On May 11, 1950, plaintiffs' motion for summary judgment, determining and decreeing, on the authority of the decision and judgment in *Livesay v. Drolet*[1] and because of the bar of *res adjudicata* and of estoppel arising thereout, that the letters patent are valid and infringed, came on to be heard and was sustained, and it was ordered, adjudged and decreed, on the grounds of *res adjudicata* and estoppel, that the defendant is not entitled to contest the validity of the letters patent.

It was, however, further determined in effect that the defense of no infringement was still open to the defendant and that the master theretofore appointed to take testimony and report his findings, should proceed with his inquiry into plaintiffs' charges of infringement and defendant's charges of unfair competition in the use of the name "Livesay".

Thereafter, on July 27, 1951, the master having taken voluminous evidence on the issues tendered, filed a full and careful report. In it, after pointing out that no evidence had been offered as to damages, costs, or attorneys' fees, and that he assumed the court would deal later with these matters, he found in favor of plaintiffs and against defendant, and that plaintiffs should have, and defendant should be denied, the injunction each prayed for.

Defendant filed objections and exceptions to the

[1] Reported in 38 Fed. Supp. 885.

master's report, while plaintiffs moved to confirm it and for an order referring the cause to the master on the question of accounting and damages, and also sought leave to amend its prayer so that it would read:

> "Wherefore, plaintiffs demand preliminary and final injunctions against further infringement by defendant and those controlled by defendant, an accounting of damages, that plaintiffs recover treble the amount of said damages plus reasonable attorneys' fees, and an assessment of costs against defendant."

All of these motions were set for hearing and heard on October 5, 1951, and on October 8, the district judge entered his final decree.[2] Plaintiffs' appeal is from these portions of the decree:

> (1) The portion of paragraph 6 excepting from the injunction "any precast monolithic concrete window frame as constructed and exemplified".

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[2] In substance this:

(1) adjudged the patent valid and infringed as to all four claims thereof, and permanently enjoined the defendant from further infringing them, but excepting "any precast monolithic concrete window frame as constructed and exemplified";

(2) Denied defendant's counter claim for unfair competition;

(3) Denied plaintiffs' motion to amend the prayer of their complaint to pray for treble damages and attorneys' fees, and to refer the cause to the master for an accounting and for damages;

(4) Denied plaintiffs, because of laches on their part, all damages for past infringement;

(5) Qualified the injunction ordered in the decree to make it inapplicable to actions on defendant's part in fulfilling or completing orders or contracts taken or entered into prior to 3:30 P. M. Oct. 5, 1951, when the court announced its decision.

(2) Paragraphs 8 and 9 of the decree denying plaintiffs' motion to amend its prayer and to refer the cause to the master for an accounting and the determination of plaintiffs' damages.

(3) Paragraph 11 denying plaintiffs' damages because of their laches; and that part of par. 12 making the injunction inapplicable to defendant's pending contracts and thus permitting it to continue its infringement after the decree.

Defendant's appeal is from the portions of the judgment finding the patent valid and infringed and granting plaintiffs an injunction.

Here plaintiffs, on their appeal, vigorously contest the finding and judgment of the court that they have been guilty of laches in asserting their claim and, therefore, may not recover any damages for the infringement found.

Pointing out that these findings are directly contrary to the findings of the master who heard all the witnesses in person; and insisting that they are without any substantial evidence to support them; appellants urge upon us that in denying recovery, after notice of their intention to sue was brought home to defendant and certainly after service in the suit, they are contrary to all equitable principles as established by the decided cases and to the statute authorizing damages for infringement.

Allied Stamping Co. v. Standard Elec. E. Corp., 37 F.(2) 296; Montgomery Ward & Co. v. Clair, 123 F.(2) 878; Shaffer v. Rector Well Equip. Co., 155 F.(2) 344; Switzer Bros. v. Centennial Liquor Stores, 186 F.(2) 411; Cf. Westinghouse Elec. & Mfg. Co. v. Condit, 159 Fed. 154; Wolf v. U. S. Slicing Machine Co., 261 F. 195.

35 U. S. C. Sec. 70.

We agree with plaintiffs that, in denying plaintiffs' damages and in denying their motion to amend their pleadings and refer the matter of accounting and damages to the master, the court's decree is without support in the evidence and that it finds no support in the adjudicated cases. Whatever, in the light of the record and in view of the prior relations of the parties, might have been said of the finding of laches and its application in this case if denial of damages had been limited to the time before defendant had been put upon positive notice that plaintiffs were claiming that its activities infringed, we do not determine, for the denial was not so limited. There can be no basis in law or in equity or under the statute, 35 U. S. C., Sec. 70, however, for the holding and judgment made here, that the defendant, after notice was reasonable brought home to it, particularly by service in this suit, that plaintiffs were claiming that its activities infringed, could with impunity continue to pirate plaintiffs' invention and rob them of the protection of their patent.

In *Switzer Bros. v. Centennial Liquor Stores*, 186 F(2) 414, where the trial court found three patents to be valid and infringed but denied damages, this court said:

> "Upon plaintiff's second point, we agree that the court erred in not ordering an accounting and further discovery proceedings to determine the extent to which defendants Blake and New had infringed the patents in suit and that the court's action in discharging Blake and New without a determination of damages has sum-

marily deprived plaintiff of the compensation to which it is entitled under the Statute."

We think the decree was particularly egregious in permitting defendant's spoliation to continue after the entry of the judgment finding defendant guilty of infringing and enjoining its further continuance thereof.

As to that part of their appeal, however, which attacks the finding, and order in par VI of the decree which, finding that defendant's Exhibit B is not an infringing form, excludes it from the injunction, while we cannot say that plaintiffs' position is without support, neither can we say, as we must if we would reverse the judgment, that the finding is clearly erroneous.

As to plaintiffs' appeal, therefore, the judgment, except in the respect just pointed out, will be reversed and the cause remanded for further and not inconsistent proceedings.

On defendant's appeal, the matter stands quite differently. For the reasons and upon the authorities hereinafter briefly set forth, we are of the clear opinion that, under the undisputed facts, as to its part in obtaining

These, as set out in the master's report, are: That in 1937 Mr Everett G. Livesay came forward with an idea having to do with a window frame which was believed by him to be novel and to afford considerable promise and advancement for the building trade. Mr. Livesay apparently needed capital to *seek his patent and to use and develop it*. He went to a Mr. John T. Lewis in Coral Gables in 1937, and discussed with the latter the former's idea. They entered into an arrangement whereby Mr. Lewis formed a corporation known as Lewis & Company, Inc. (incorporated Aug. 11, 1937), and on October 13, 1937, by written instrument, Mr. Livesay granted an exclusive license to that corporation to manufacture and sell the structures for which the application for patent had been filed October 7, 1937. It covered also any patents actually to be issued pursuant

the patent and as co-party plaintiff in instituting and prosecuting the Livesay-Drolet suit, defendant is concluded from contesting the binding force of the judgment as to matters determined in it, as well of fact as of law and, therefore, from contesting the validity of the patent.

The principle supporting our holding that, under the facts of this case, though the defendant and plaintiffs

to said application. This agreement was silent as to the use of the trade name "Livesay". *It bound Lewis and Company to finance the prosecution of the patent application and any litigation involving alleged infringement of that patent so long as Lewis and Company was the licensee.* It provided for royalty payments and the like. Consequent upon this, Mr. Livesay went to work for Lewis & Company on an agreed salary and provided in said agreement. On December 22, 1937, Lewis & Company, Inc., with the knowledge and apparent consent of Mr. Livesay changed its corporate name to its present name, to-wit: Livesay Window Company, Inc. Pending the patent application Lewis & Company and its said successors proceeded to manufacture and market the structure for which Mr. Livesay had made application for patent.

On Nov. 28, 1939, Everett Grey Livesay and Livesay Window Company, Inc. brought suit against Emmet O. Drolet, doing business as Drolet Precast Window Company for alleged infringement of the patent which had been issued Mr. Livesay on July 18, 1939, and for injunction, accounting, etc. The case was prosecuted successfully and the defendant was enjoined. That case is reported in 38 Fed. Supp. 885. Among the defenses raised in that case were several which are raised in the instant case, namely, that the Livesay patent represented no invention, that it was invalid, and that the Defendant was practicing the teachings of the prior art. The Court there declared the patent valid against such defenses and ruled against Defendant in all particulars. There was no accounting or damages by stipulation. *Patent counsel for the plaintiffs in the Drolet case was the same firm which is patent counsel for the defendant in the instant case.*

Following the final disposition of the Drolet case, the said then Licensee, the present defendant, continued to operate in the manufacture and sale of the patented structure until on or about March 5, 1942, when Mr. Livesay exercised his right to terminate that licensing agreement because that Licensee ceased paying the required minimum royalties. The defendant contends that it ceased to pay said minimum royalty because of war conditions which made it impossible or impractical to obtain materials and to market its product. From time of said termination of the then license agreement until the early part of June, 1945, the present defendant did not operate its business. It manufactured nothing.

Oklahoma v Texas, 256 U. S., 70; American Trust Co. v Butler 47 F(2) 482.

were not adversary, but co-parties, the judgment in the *Doblet* case barred and concluded the defendant on the issues of patent validity, and of infringement by the devices adjudicated in that suit to be infringing, is thus well stated in *National Bond Holders v. Seaboard, et al.*:

> "Ordinarily, parties to a judgment are not bound by it in a subsequent controversy between each other unless they were adversary parties in the original action. City Bank of Wheeling v. Rodehamel 4 Cir. 223 F. 979; Freeman on Judgments, 5 Ed. vol. 1, ss 422-425, but there are exceptions to the rule, as where co-parties do in fact occupy the attitude of adversaries, e.g., Atchison, T. & S. F. R. Co. v. A. B. C. Fireproof Warehouse Co., 8 Cir. 82 F(2) 505; *or where some finding of fact is made in the first suit which is an essential element in a claim or action subsequently brought by one against the other.* As said in Freeman on Judgments, s. 425, 'insofar as their rights or obligations inter se are dependent on their rights or obligations toward their common adversary, the judgment adjudicating the latter is conclusive upon codefendants in subsequent litigation between them.' Thus it was held in United States Fid. & Gty. Co. v. Haggert, 8 Cir., 163 F. 801 (Sanborn, VanDevanter and Munger), that a judgment recovered by the United States against a marshal and the surety on his bond, on account of defalcation by the marshal's deputies, is conclusive of the existence of the defalcations and of the amount thereof in

a subsequent action brought by the marshal against the surety on another bond, whereby the Surety Company bound itself to indemnify the marshal for every act done or neglected to be done by the deputies. See 94 U. S. 741, 24 L. Ed. 190; The No. 34, 2 Cir., 25 F(2) 602, 606; Kent's Adm'r., 82 Va. 205; Ellis v. Cole, 105 App. Div. 48, 94 N. Y. S. 1031." (Emphasis supplied.)

Our position that the judgment estops the defendant on that issue is further supported by the authorities holding that where one in whose favor a judgment is rendered accepts the benefits, he is estopped from questioning the validity of the judgment in any subsequent litigation.

Further, all questions of reported cases aside, it ought to be, we think it is, clear that, upon every principle of judicial estoppel, including the estoppel arising out of inconsistent positions in legal proceedings,[8] defendant may not, as it attempts to do here, so trifle with the judicial process.

By solemn affirmation in the patent office and thereafter by solemn affirmation in its pleadings prepared and filed by the same counsel who represents it in this suit, it affirmed the patentability of the invention and the validity of the patent. By evidence offered and argument made by the same counsel in support of that af-

7 Burgess v. Nail, 103 F(2) 37; Wilson v. Union Elec. Light & Power Co., 59 F(2) 580; Stentor Electric Mfg. Co. v. Klaxon Co. 115 F(2) 268; Davis v. Wakelee, 156 U. S., 680.

8 19 Am. Jur., Estoppel, Secs. 72, 73 and 74.

firmation, it induced the district judge, upon full and careful consideration, as evidenced by his opinion in *Livesay v. Drolet*, 38 Fed. Supp. 885, to hold the patent valid and infringed. During the pendency, and upon the strength of the suit and afterwards upon the strength of the judgment in it, it continued to operate as a licensee. Defendant ought to be, we think it is, completely estopped from doing an about face in this case in the same court and forum and repudiating what it had before as solemnly affirmed there.

On the issue of infringement, it is sufficient to say: that this was and is a question of fact; that we are not convinced that the findings are clearly erroneous, indeed we think master and judge were right in finding infringement to the extent that they did find it; and that the judgment on defendant's appeal should be affirmed.

On defendant's appeal, the judgment is affirmed. On plaintiffs' appeal, it is reversed and remanded for further and not inconsistent proceedings.

AFFIRMED in part and REVERSED in part.

A True copy:
Teste:

Clerk of the United States Court of Appeals for the Fifth Circuit.

APPENDIX C

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

No. 16403

LIVESAY WINDOW COMPANY, INC.,
Appellant,

versus

LIVESAY INDUSTRIES, INC., and EVERETT G. LIVESAY WINDOW COMPANY, INC.,
Appellees.

Appeal from the United States District Court for the Southern District of Florida.

(January 24, 1958.)

Reported at 251 F.2d 470

Before RIVES, TUTTLE and BROWN, Circuit Judges.

BROWN, Circuit Judge: Now back with us for the second time, *Livesay Industries, Inc. et al v. Livesay*

Window Co., Inc., 5 Cir., 202 F.2d 378, after an extended trial before a Master whose findings were essentially adopted by the District Court, the questions concern (1) the basis for ascertainment of the damages as allowed for infringement down to the date, October 8, 1951, of the final decree; (2) the time notice of infringement was given, 35 USCA 287, to start the running of damages; and (3) the allowance of attorney's fees as an "exceptional case," 35 USCA 285.

The question of validity and infringment is no longer open. The patent, owned by the Patent Holder, and under exclusive license to the Licensee, covers a pre-cast, concrete monolithic window frame suitable for residential and commercial buildings. The specific characteristic of the window frame held to have resulted in infringement was the imbedded metal Venetian blind guide channel. The Infringer's window frame which has throughout been tagged as "Exhibit A frame," instead of imbedding the metal blind guide in the vertical side pieces in the process of casting, was cast with relatively flat facing, but with metal pintles to which the metal channel blind guides were subsequently installed by nails or screws.

1 As the similarity of corporate names only adds to the confusion we refer to the plaintiffs below as the Patent Holder and the Licensee and to the defendant as the Infringer.

2 The District Court declined to allow any award for damages sustained subsequent to the entry of the permanent injunction contained in the final decree of October 8, 1951, see note 2, our former opinion at p. 380. The plaintiffs below, the Patent Holder and Licensee, have not appealed from that action. The Court stated that this should be determined in likely subsequent contempt proceedings. Such matters may be, and likely are, involved in part in the pending appeal, Livesay Industries, Inc. and Everett G. Livesay Window Company, Inc. v. Livesay Window Company, Inc., No. 16759. Obviously we do not determine any issues concerning post-decree damages.

When thus installed, the Infringer's blind guide was not flush with the face of the frame. The usual thing was for the surface of the face to be plastered, so that, on completion, the blind guide was, for all practical purposes, imbedded as in the patent. The Infringer's sales price included the cost of the frame and the subsequent installation of the metal blind guides on the pintles by an alleged independent contractor.

In developing a record which comprises over 1,250 printed pages and, by consent, includes the record from the 1952 contempt proceedings for some alleged post-decree infringements, the Master spent over 16 days in the hearings. His careful report reflects, as did the initial one on infringement in the first appeal, the necessity for his having devoted an estimated 75 additional days to the preparation of the report.

In the hearings the Master saw and heard the numerous witnesses testify. They included outstanding and reputable builders, contractors and architects familiar with building construction in the greater Miami area in the years 1948-1951 as well as the Master-appointed Accountant and the two accountant experts appearing on opposite sides to evaluate and translate records into probable sales and profit and loss figures. While fought with all of the professional proprieties by the contending advocates, this record is mute evidence that nearly everything of consequence was hotly disputed. The case

[1] Probably first in the history of patent litigation is the curious and surprising fact that to this good day the Master's fee for the hearings and seventy-five days of lucubration has not yet been paid even though the Infringer has not superseded the final judgment

then comes to us with the insulation of the clearly erroneous rule, FRCP 53(e)(2).

Of course the question was how much had the Patent Holder and Licensee suffered by the infringement. And that question was primarily: had the Infringer not infringed, what would Patent Holder-Licensee have made? That in turn involved the amount of the business actually done by the Infringer which the Licensee would have performed had there been no infringement. Once the probable volume or proportion was ascertained, other incidental questions would arise as to the relative cost, gross and net profits and the extent to which the operating experience of one party could be applied to the other.

After digesting the voluminous data of this record, the Master found, and the Court confirmed, many basic facts which are not now seriously challenged. First in the critical period September 2, 1948 to October 8, 1951, the sales by Licensee of the patented frames manufactured by it totaled $1,137,248. This gross, *after* provisions for Federal income taxes and all expenses for cost of goods sold as well as fixed charges, produced a profit of 19.1% on sales or a total of $217,218. Of the Infringer's total business, 82.65% involved the manufacture and sale of infringing "Exhibit A" frames. This ratio applied to its gross income, fixed infringing sales at $2,912,148. Using these two figures to reconstruct what the Licensee would have made (not what the Infringer made), the Court applied the Licensee's earning ratio of 19.1% to the Infringer's total infringement sales to produce a profit of $556,664. As the Licensee's profit ratio (19.1%) was

based on the payment by it of a contract 6% royalty for the exclusive license from the Patent Holder, the Court fixed a like 6% royalty on the Infringer's sales for an additional $174,776. The decree cast the Infringer for the resulting $731,440.

When it is borne in mind that to allow a patent owner to recover lost profits from an infringer is no unique treatment of this one type of wrongdoing, and that it is essentially the same problem which inheres in other instances of an interference with a valuable business right, we see that this case is not solved, as the Infringer hopes, by a mechanical application of legal precedents which, here and there, may seem to be exacting or niggardly.

If in all reasonable probability, the Patent Owner would have made the sales which the Infringer has

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These are best exemplified by Dowagiac Mfg. Co. v. Minnesota Moline Plow Co., 235 U.S. 641, 59 L.ed. 398, 404:

"While the number of drills sold by the defendants was shown there was no proof that the plaintiff thereby lost the sale of a like number of drills or of any definite or even approximate number. During the period of infringement several other manufacturers were selling drills in large numbers in the same localities in direct competition with the plaintiff's drill, and under the evidence it could not be said that, if the sales in question had not been made, the defendants' customers would have bought from the plaintiff rather than from the other manufacturers. Besides, it did not satisfactorily appear that the plaintiff possessed the means and facilities requisite for supplying the demands of its own customers and of those who purchased the infringing drills. There was therefore no adequate basis for an assessment of damages upon the ground of lost sales."

Other cases cited include: Seymour v. McCormick, 57 U.S. 480, 14 L.ed. 1024; Dobson v. Dornan, 118 U.S. 10, 30 L.ed. 63; Cincinnati Siemens-Lungren Gas Illuminating Co. v. Western Siemens-Lungren Co., 152 U.S. 200, 38 L.ed. 411; Hall v. Stern, C.C.N.Y., 20 Fed. 788; McSherry Mfg. Co. v. Dowagiac Mfg. Co., 6 Cir., 160 Fed. 918; Oil Well Improvements Co. v. Acme Foundry & Machine Co., 8 Cir., 31 F.2d 898.

See also National Metal Weather Strip Co. v. Bredin, 3 Cir., 186 Fed. 490, modifying Bredin v. National Metal Weather Strip Co., D.C. Pa., 182 Fed. 654.

made, what the Patent Owner in reasonable probability would have netted from the sales denied to him is the measure of his loss, and the Infringer is liable for that. Profits, as such, are not recovered as the broadening amendment to the statute, 35 USCA 284, makes so clear. The profit is but the true measure of that which infringement has taken from the patent owner for, "whatever may have been the practice prior to the recent statutory amendments, the general damages *now* recoverable are the detriments suffered by the plaintiffs through the infringement." *Laskowitz v. Marie Designer, Inc.*, D.C.Cal., 119 F.Supp. 541, 554. Where the wrong done is so absolute, the consequences of an inability to demonstrate the resulting loss with scientific accuracy rests on the Infringer, as on any other wrongdoer, *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, L.Ed. 544. This principle certainly applies to patent cases.

282 U.S. 555, 563, 75 L.ed. 544, 548:

"Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty it would be a perversion of fundamental principles of justice to deny all relief to the injured person, and thereby relieve the wrongdoer from making reparation for his acts. In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate. The wrongdoer is not entitled to complain that they cannot be measured with the exactness and precision that would be possible if the case which he alone is responsible for making were otherwise."

Bigelow v. RKO Radio Pictures, 327 U.S. 251, 265, 90 L.ed. 652, 660:

"The most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of the uncertainty which his own wrong has created. * * * That principle is an ancient one * * * and is not restricted to proof of damages in anti-trust suits, even though their character is such as frequently to call for its application. * * * And in cases where a wrongdoer has incorporated the subject of a plaintiff's patent or trade-mark in a single product to which the defendant has contributed other elements of value or utility, and has derived profits from the sale of the product, this Court has sustained recovery of the full amount of defendant's profits where his own wrongful action has made it impossible for the plaintiff to show in what

Horvath v. McCord Radiator & Mfg. Co., 6 Cir., 100 F.2d 326; *Filtex Corp. v. Amen Atigeh*, 9 Cir., 216 F.2d 443.

A brief examination will demonstrate that the record fully supports the conclusions reached below. There is first the certainty based on the fact that the period for which damages were allowed is all in the past. There is thus no uncertainty as to a future forecast as is so common. Consequently, we are not concerned, as were many of the cases, note 1, *supra*, with the possibility that the prospective consumers, had they not purchased from the Infringer, might have yet procured a suitable article from persons other than the Patent Owner. For here, the "relevant market," cf. *United States v. Dupont*, 351 U.S. 377, 100 L. Ed. 1264, was for a specific product—a monolithic window frame with a Venetian blind guide, either imbedded during the casting or installed on pre-cast pintles. The market under scrutiny then is confined to those products only which are patented or infringed. As to these, the Master found that over 95% were manufactured and sold by these two parties, Infringer and Licensee. The effort of the Infringer to make out a substantial potential competition from others, including three specified manufacturers simply fails. Pospisil, the largest, had not made a single frame with blind guides since the war and, in any case, his product was a mixture of sawdust and concrete. The Durall Company only began operations in 1951 and for that year, out of a volume of $36,000

proportions he and the defendant have contributed to the profits' citing cases'

"The constant tendency of the courts is to find some way in which damages can be awarded where a wrong has been done. Difficulty of ascertainment is no longer confused with right of recovery for a proven invasion of the plaintiff's rights . . ."

over 75% was for frames without blind guides leaving but one-fourth, $9,000, as competition in contrast to the average annual volume of Licensee of some $370,000. Only 150 to 200 Mozar frames are shown to have been sold, and the number of these with blind guides later installed as an "Exhibit A" frame is not shown at all. Gaines Construction Company had used a number of Infringer's frames prior to 1950, but these were discontinued and concrete blocks and a wood buck was substituted. This builder not only did not believe in blind guides. He disliked them for, in building project houses for large residential housing projects, Venetian blinds are not provided with the house.

Architects, builders and contractors testified convincingly that, despite the Infringer's claimed advantage that plastering the faces of the frame gave a more attractive surface than the cement face of Licensee's frame, the two frames were "* * * as alike as two peas in a pod." Indeed, a common thing was for the architect's written specifications to call for "Livesay concrete window frames" meaning specifically either of the two frames. At least as to all of the residences comprising the 95% with built-in blind guides which went to make up the combined volume of Infringer and Licensee, the builder or contractor, or architects called for this type of frame. As to this market demand, the source of supply was confined to these two parties and had not the infringement occurred, the Licensee would here have had a monopoly in an article having established trade acceptance of great extent. Of course, so long as the Infringer's poaching on the Licensee's exclusive domain made frames avail-

able from two sources, the choice in any given case may well have been on the basis of the Infringer's cheaper price of $10.85 compared with Licensee's price of $12.85 per frame. But with this brisk demand stimulated by almost universal architect-builder trade acceptance, the conclusion that substantially all of these frames would have been sold at Licensee's slightly higher price was clearly justified.

Nor does the Infringer's attack on Licensee's physical productive capability undermine this award. While to us it seems amazing that such huge amounts of money could flow from such limited plant facilities, the fact remains that Licensee's small plant,[*] so disparagingly criticized by the Infringer was, in the critical period, able to turn out production grossing $1,137,248. Certainly there was nothing unique about the equipment required for plant expansion to meet increased demand. Nor was there any indication that had not the Infringer been poaching, the Licensee would not have been able to build or acquire the needed facilities. With all of the grief the Patent Holder and Licensee have had, they did not, in order to demonstrate a loss, have to build a plant which, because of the Infringer's conduct, would not have been fully utilized.

Once the record supports the inference that in all reasonable probability substantially all of the Infringer's sales would have been made at Licensee's prices, the

[*] It was apparently made up of a single cement mixer with one vibrating table and a limited number of molds and 4 small steam curers. The Infringer's plant was equally simple. In 1948 it had 2 mixers, 1 vibrating table and 190 molds. These were increased in 1949 to 3 vibrating tables, 2 mixers, and 220 molds, later 265 molds. Subsequently, with its increased volume, 82.65% of which rightly belonged to the Licensee, it changed to a batching plant.

method of calculation employed by Master and Court, if erroneous is so in favor of, not adverse to, the Infringer. On the Licensee's own performance, its margin of profit after deduction for income taxes was 19.1%. The Court applied this to the Infringer's volume of infringing sales, $2,912,948, which, of course, came from sales at Infringer's prices. The Licensee's sales price was approximately 18.4% higher. Had the basic fact conclusions approved by us been extended with logical consistency, an additional award of $130,792.61 could have been made.[9] This does

[9] This is readily demonstrated by these damage computations:

By the Court, Using Ingringer's Price

Profits		
Total Infringing Sales	$2,912,948	
Licensee's Profit Ratio	X.191	
Profits Lost to Infringer		$556,664
Royalty		
Total Infringing Sales	$2,912,948	
Royalty Ratio	X.06	
Royalty Lost		174,776
Total Damages Allowed		$731,440

If Licensee's Price Used

Profits		
Total Infringing Sales	$2,912,948	
Price Diffential Ratio	X.184	
Total Infringing Sales at Licensee's Price	3,448,930	
Licensee's Profit Ratio	X.191	
Profits Lost to Infringer		$655,296
Royalty		
Total Infringing Sales	$3,448,930	
Royalty Ratio	X.06	
Royalty Lost		206,935
Total Damages		$862,231
Less Damages as Computed by the Court		731,440
Difference in Favor of Infringer		$130,791

not even take into account the possible question[10] concerning the deduction of estimated income taxes.

On the main issue then, we affirm the Court's holding. This automatically disposes of the Infringer's contention separately made that damages should have been limited to a reasonable royalty fixed by its lawyer expert at 2%. See *Horvath v. McCord Radiator & Mfg. Co.*, 6 Cir., 100 F.2d 326; *Filtex Corp. v. Amen Atiyeh*, 9 Cir., 216 F.2d 443; *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 649, 59 L.Ed. 398.

We likewise affirm the Court's holding on the period covered by the award, September 2, 1948 to October 8, 1951. While it is true that this suit was not filed until October 7, 1949, we think that within the meaning of 35 USCA 287, the Infringer had actual notice of the claim by Patent Holder and Licensee as early as September 2, 1948 when the Florida State Court suit was filed charging unfair trade competition and seeking a declaration and other relief. When the present Infringer, after service of process on it, came into that suit contending in its answering motion that the cause should

[10] The Licensee does not appeal from the District Court's deduction of income tax so we need not determine whether, as now suggested, this was another error in the Infringer's favor. While Duplate Corp. v. Triplex Safety Glass Co., 3 Cir., 81 F.2d 352, modified on other grounds, 298 U.S. 448, 80 L.ed. 1274; Stromberg Motor Devices Co. v. Zenith-Detroit Co., 2 Cir., cert. dism'd, 294 U.S. 735, 79 L.ed. 1263, and others may indicate that such deduction is permissible in ascertaining damages, tax cases, such as Mathey v. Commissioner, 1 Cir., 177 F.2d 259, cert. den. 339 U.S. 943, 94 L.ed. 1359; Urquhart v. Commissioner, 3 Cir., 215 F.2d 17, 20; Annotation 99 L.ed. 497, reflect that the recovery of damages treated as income to the recipient. If, for example, $556,661 is considered to be the profit the Licensee would have made *after* taxes, it is plain now that on these tax precedents, this "net" figure will be taxed and the *real* recovery will be considerably less.

be dismissed "for the reason that it is apparent that said cause is one for damages for infringement of alleged patent rights, and exclusive original jurisdiction over such cause is in the United States District Court," this was all that was required. The notice need only be actual knowledge that the Patent Owner is contending that there is a valid patent and that the other is infringing. *Warner v. Tennessee Products Corporation*, 7 Cir., 57 F.2d 643, cert. den. 287 U.S. 632, 77 L.Ed. 548. The Infringer could hardly have more clearly expressed its interpretation of that suit as a claim of infringement. The efforts of the Infringer now to find semantical magic in the words "it is apparent" do not impress us. If anything, they only make it clearer as though it was said "it is perfectly *obvious* that, the suit is for infringement."

When one acknowledges for his adversary that the adversary is claiming infringement, the law most certainly does not compel the patent owner to repeat it any more explicitly.

We conclude also that the allowance of attorney's fees in the sum of $110,000 was reasonable in amount and within the requirement that it be "an exceptional case" under 35 USCA 285. In many instances the request for attorney's fees comes from the defendant who has successfully resisted an unfounded suit for infringement by a patent owner.[11] In order to make certain that awarding

[11] This was so in the four cases so heavily pressed by the Infringer: Park-In-Theatres v. Perkins, 9 Cir., 190 F.2d 137, 142; American Chain & Cable Co. v. Rochester Ropes, 4 Cir., 199 F.2d 325, 330; Continental Art Company v. Bertolozzi, 7 Cir., 232 F.2d 131; Phillips Petroleum Co. v. Esso Standard Oil Co., D.C.Md., 91 F.Supp. 215, 217. See also Merrill v. Builders Ornamental Iron Co., 10 Cir., 197 F.2d 16; Turchan v. Cincinnati Mining Machine Co., 6 Cir., 208 F.2d 228.

of attorney's fees should not thwart the general policy that Courts are open for resolution of controversy without the litigants bearing the ultimate actual costs of the machinery, this has given rise to the rule that to award attorney's fees to the defendant, the plaintiff's action must have been instituted in bad faith, as vexatious, unjustifiable litigation with no real basis.

Whether such principle is automatically applied mechanically to the obviously different situation of the unsuccessful defendant, we do not believe, as the Infringer contends, that allowance of attorney's fees is necessarily synonymous with permissible allowance of punitive damages for wilful infringement.

Here, while the Master found against wilful infringement, that is, a deliberate calculating purpose to infringe, heedless of the patentee's rights and oblivious to the consequences, his hesitant, guarded conclusions followed immediately thereafter in the text by the allowance of attorney's fees makes clear that he considered, and the Court in the exercise of its discretion confirmed, that general circumstances of the conduct of the Infringer justified this allowance. Several may be mentioned briefly. The Infringer from the outset took a completely untenable position on the validity of the patent. The District Court so ruled on summary judgment at the very outset of this hoary litigation and we affirmed. Other actions revealed in the record before the Master suggest strongly that the Infringer was not, as it was clearly entitled to do, merely resorting to a court to assert its contention, and if unsuccessful, abide the consequences.

After years and years of litigation[12] with the Infringer whose operations are claimed to have gone through a succession of different corporations, the Patent Holder and Licensee through ancillary creditors proceedings in aid of judgment have yet received nothing in satisfaction even though the Infringer has never superseded the judgment, see note 3, *supra*. Also, on the initial trial on validity and infringement leading to our affirmance, this same Master in denying the Infringer's cross claim for unfair competition held that, once validity and infringement was established and the pre-war royalty contract by its own terms was no longer applicable, it was the Infringer, not the Patent Holder-Licensee, who was guilty of deception and misleading unfair practice in the continued use of the Livesay name.

The conclusion that these were, in the exercise of a sound judicial discretion, "exceptional circumstances" was fully justified and the award of the attorney's fees was proper.

AFFIRMED.

[12] This was dramatically described by the Master: "My experience in this case and my study of the considerable volume of law on the subject, leads me to believe that the law never intended that an inventor holding a valid patent, or his licensee, should have the fruits of inventive genius and business ability blighted or consumed by vorabious infringement. The patentee, his assignee and the present licensee in this case, have had a running battle on their hands to try to ward off the onslaughts of the invader. It appears to me to have been a frustrating vexatious, expensive and probably unrewarding experience. Such battle commenced with the Drolet case in 1939, in this Court, continued in the two State Court cases filed in 1948 and 1949, and has continued since 1949 with the instant litigation which was filed in that year."

Since that time, we are now told, the patent has expired while the battle was still raging.

APPENDIX D

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

No. 16759

LIVESAY INDUSTRIES, INC., and EVERETT G. LIVESAY WINDOW COMPANY, INC.,

Appellants,

versus

LIVESAY WINDOW COMPANY, INC.,

Appellee.

Appeal from the United States District Court for the Southern District of Florida.

(June 24, 1958.)

Reported at 256 F. 2d 1.

Before HUTCHESON, Chief Judge, and JONES and BROWN, Circuit Judges.

JONES, Circuit Judge: The background against which this case arose may be found in two previous decisions

of this Court: *Livesay Industries, Inc., et al. v. Livesay Window Co., Inc.* 5th Cir. 1953, 202 F.2d 378, and *Livesay Window Co., Inc. v. Livesay Industries, Inc., et al.* 5th Cir. 1958, 251 F.2d 470. Very briefly, the appellants, one of which was the owner and the other the licensee of a patent on a precast monolithic concrete window frame with Venetian blind guides, brought suit in 1949 against appellee Livesay Window Co., Inc. for patent infringement. The suit resulted in a decree for the plaintiff on October 8, 1951. This Court, in the 1953 decision cited above, affirmed that judgment with respect to the finding of infringement and reversed in part so that there might be an accounting as to the money damages resulting from the infringement. The accounting proceedings resulted in a judgment which was affirmed by this Court in 251 F.2d 470. Meanwhile, in 1952, appellants filed a petition for contempt against appellee Livesay Window Co., Inc., and one L. F. Bjorkman, alleging that the 1951 decree's injunction against infringement had been violated. At the conclusion of the plaintiff's case, a motion to dismiss was granted for failure to make out a prima facie case. No appeal was perfected from this order, which was entered in 1952. In the accounting proceedings mentioned above, the district court declined to allow any award for damages from infringement alleged to have occurred subsequent to the 1951 decree, on the ground that recovery of such damages would more appropriately form the subject of another action, such as one for contempt. No appeal was taken from this holding. There followed the case now being reviewed in which the appellants in 1956 filed a petition for a rule to show cause why Livesay Window Co., Inc., certain corporations alleged to have

succeeded to that company's assets and business, and certain officers and directors of all the corporations named, should not be held in contempt for violation of the injunctive portion of the 1951 decree. The life of the patent had run by this time, and it was agreed that the primary purpose of the petition was to recover damages for the period between October 8, 1951, the effective date of the decree, and the expiration of the patent monopoly.

Upon the conclusion of the petitioner's case, the district court concluded that the evidence did not show a violation of the injunction and granted a motion to discharge the rule. Several questions have been raised on appeal, but only one will be considered because our resolution of it makes unnecessary a determination of the other. This question is whether or not the record evidence sustains the district court's determination that the injunction was not violated.

The pertinent portion of the decree of October 8, 1951, reads as follows:

> "That the defendant, Livesay Window Company, Inc., a Florida corporation, its officers, employees, servants, workmen, agents, associates, attorneys, and all persons acting in conjunction with or under the control of said defendant be, and the same hereby are permanently restrained and enjoined from infringing upon United States Letters Patent No. 2,166,870, granted July 18, 1939, to Everett Gray Livesay, by making, causing to be made, using, selling, or offering for

sale, any precast monolithic concrete window frame as exemplified by Defendant's Exhibit 'A' in evidence, or by making, causing to be made, using, selling, or offering for sale, any precast monolithic concrete window frame, with the knowledge, purpose, and intent, that it shall be used in the combination which will infringe the said patent. But nothing in this decree shall prevent the Defendant from making, causing to be made, using, selling, or offering for sale, any precast monolithic concrete window frame as constructed and exemplified by Defendant's Exhibit 'B' in evidence."

The "Exhibit 'A' frame" and its relation to the patented frame have been described in the opinion reported in 251 F.2d 470. The "Exhibit 'B' frame" is essentially identical with the Exhibit A frame, except that it has no pintles or other devices to aid in installation of the Venetian blind guides. Its non-infringing character was affirmed by this Court. See 202 F.2d 378. The subject of the present contempt action is a third frame, known as either the "Exhibit 8 frame" or the "Exhibit 16 frame". The latter designation will be used hereafter in this opinion. It is not identical with either of the ones previously mentioned, but is similar to them and is distinguishable from the Exhibit A frame in the same way as is the Exhibit B frame. There is no claim that the Exhibit 16 frame was, of itself, an infringement of the patent. During the period involved, Exhibit 16 frames were sold in substantial quantities, many of those frames were altered by third parties after such sales by the addition of Venetian blind

guides, and following such alteration the resulting window frames infringed the patent.

The gravamen of the petition was that, in contempt of the injunction, the Exhibit 16 frame was made and sold subsequent to the decree with the "knowledge, purpose, and intent" that it should be used in a combination which would infringe the Livesay patent. The immediate inquiry therefore is as to whether or not the acts of the appellees with respect to the manufacture and sale of the frames which were converted by others into offending items were done with the "knowledge, purpose, and intent" that such conversion would be accomplished.

The meaning of the part of the injunction involved in this inquiry should be made clear at the outset. The words are not dissimilar from those in 35 U.S.C.A. §271(c). We understand them to be of a cautionary nature, inserted to forestall the defendant from conceiving and carrying out a scheme for circumventing the decree. The effect of the words is to prohibit the construction or sale by defendant of a precast monolithic concrete window frame with the specific purpose of use in an infringing combination and with the knowledge that it will be so used. Violation of that portion of the decree is not shown unless both knowledge and intent are proved to be present.

The trial judge was justified in finding from the evidence that the frames made and sold by the appellees after the decree were not constructed or sold specifically for use in an infringing combination, even though it was known that such adaption was a common practice. There

was credible testimony that the Exhibit 16 frames, like the Exhibit B ones, were being manufactured prior to October 8, 1951, and were sold for use in windows in which no Venetian blind guides were desired. The construction of those frames did not change following the decree in question. The trial court might have found that the Exhibit 16 frame had no characteristics not reasonably essential to any non-infringing precast monolithic concrete window frame and that, although capable of easy adaptation to an infringing combination, the frame had no feature inserted primarily to foster infringement. In short, the element of knowledge was proven, but the element of intent could properly have been, as it was, determined to be lacking.

The district court permitted the introduction of the record of the accounting proceedings for use against the Livesay Window Co., Inc., the defendant in the accounting case, but excluded it as against the other appellees because they had not been parties to that proceeding. That record included testimony concerning the Exhibit 16 frame. It is not necessary to consider the legal propriety of the district court's action. The case was properly decided in favor of Livesay Window Co., Inc., on a record which included the accounting proceedings record. There was neither allegation nor proof that the other appellees should be held in contempt except through Livesay Window Co., Inc., the specific subject of the injunction. The petitioner's evidence purported to treat the corporations as one and the individuals as officers and shareholders acting within their powers as given them by the corporations. Therefore, the matter of intent failing as to Livesay Window

Co., Inc. it failed as to the others. Moreover, the proof of intent was not strengthened by the inclusion of the evidence in the accounting record. The proof was for the most part the same and largely by the same witnesses in the two proceedings. No prejudice is shown to have resulted from the asserted error, as to which appellants themselves said: "It is probably immaterial." If there was error, it was harmless. *Will v. Tornabells*, 1910, 217 U.S. 47, 30 S. Ct. 424, 54 L.Ed. 660; 28 U.S.C.A. §2111. See *United States v. Borden Co.*, 1954, 347 U.S. 514, 74 S. Ct. 703, 98 L.Ed. 903, Cf. Rule 61, Fed. R. Civ. Proc., 28 U.S.C.A.

The judgment of the district court was based on substantial and adequate evidence. It is

AFFIRMED.

Supreme Court of the United States

OCTOBER TERM 1958

No. 385

LIVESAY INDUSTRIES, INC., and EVERETT G. LIVESAY WINDOW COMPANY, INC., Florida Corporations,

Petitioners,

vs.

LIVESAY WINDOW COMPANY, INC., a Florida Corporation, *et al.,*

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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Dated: October 17, 1958.

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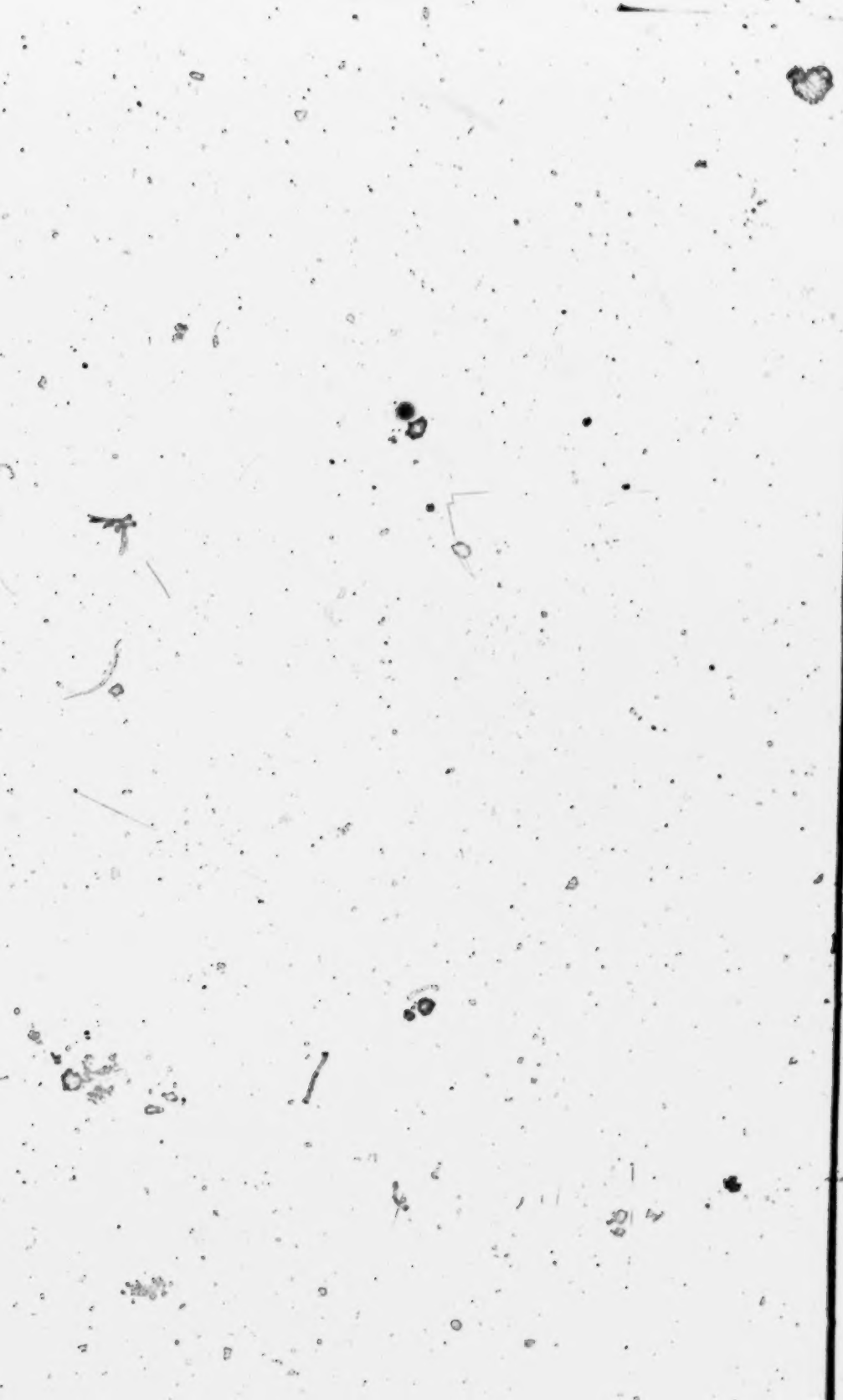

Supreme Court of the United States

OCTOBER TERM 1958

LIVESAY INDUSTRIES, INC., and EVERETT G. LIVESAY WINDOW COMPANY, INC., Florida Corporations, *Petitioners,* *vs.* LIVESAY WINDOW COMPANY, INC., a Florida Corporation, *et al.*, *Respondents*	No. 385

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Statement of the Case

This is a patent case in which the petitioners seek review of a decision affirming an order of the District Court (R 269-70) discharging a rule to show cause why the defendants should not be held in contempt for violating an injunction against selling otherwise non-infringing window frames "with the knowledge, purpose and intent" that they be incorporated in an infringing structure or combination (R 3).

The order discharging the rule was entered after a trial in open court at which the testimony of many witnesses was presented. After hearing the witnesses, the District Court specifically found that the defendants had not sold window frames with the knowledge, purpose and intent that they should be used in a combination which would infringe the patent (R 270).

The actions complained of in the present proceeding all took place after the entry of the judgment enjoining in-

fringement. At the time of the entry of that judgment, the defendant company discontinued the infringing practices which were enjoined and confined its operation to non-infringing frames which are referred to variously as Exhibit 8 or Exhibit 16 frames.

When the case was referred to a Master for an accounting, plaintiffs charged that the Exhibit 8 or Exhibit 16 frames constituted infringement and that they should be included in the accounting.

The Master concluded that when the defendant company sold these frames it violated the injunction that frames not be sold "with the knowledge, purpose and intent" that they be used in an infringing combination and included them in the account (See Record in Appeal 16,403, pp. 111-118).

The defendant company duly objected and in the final judgment or decree the District Court denied damages for the post-decree sales of the Exhibit 8 or Exhibit 16 frames and entered judgment only for the pre-decree sales. In the final judgment the District Court specifically adopted such findings as were consistent with that judgment and specifically overruled all objections except such as were consistent with the final decree (See Record in Appeal 16,403, pp. 994-7).

There is no specific provision in the final decree confirming or adopting the Master's conclusion as to the Exhibit 8 frames. However, in denying damages for the post-decree sales the Court stated that other proceedings including contempt proceedings would appear to be more appropriate and specifically stated that the denial of damages for the post-decree period did not constitute an adjudication that the Master's findings were erroneous.

The plaintiffs did not appeal from this judgment or decree and, since the defendant company's contention that the award of damages for the post-decree was inappropriate had been sustained, no appeal was taken by it from

the portion of the judgment denying damages for the post-decree period.

Thereafter the plaintiffs instituted the present rule to show cause and joined with the defendant company various officers who had not been parties to the proceeding prior to that time.

As the Court of Appeals pointed out in its decision, which is Appendix "D" to the Petition, there was adequate testimony to support the finding that the frames were not constructed or sold specifically for use in an infringing combination and were sold for use in windows where no venetian blind guides were desired, and that they had no characteristics not reasonably essential for non-infringing frames in which no blind guides were to be employed.

Thousands were used without blind guides (R 468-9, 578-9, 556-8, Record in Appeal No. 16,403). There was nothing peculiar to the Exhibit 8 or Exhibit 16 frames especially adapting them for infringing use (R 564-8, 575-6, 591). They were sold like any other commodity. A stock was made up and the builders ordered by telephone, just as the housewife would order from a grocery store (R 595, 601-2).

ARGUMENT

There is no Reason why the Writ Should be Granted

This is an ordinary patent case in which the plaintiffs sought to show that the defendants had violated the injunction by selling frames with the "knowledge, purpose, and intent" that the frames be used in an infringing combination.

After hearing the witnesses in open Court and observing their demeanor, the District Court found as a fact that no such intent had been proven.

The Court of Appeals affirmed, finding that there was competent evidence to support the finding.

Such concurrent findings are not to be set aside unless clearly erroneous. In *United States* v. *Yellow Cab Co.*, 338 U. S. 338 (1949), this Court emphasized that this Rule has special applicability where motives and intent are involved. It said (pp. 341-2):

> "Findings as to the design, motive and intent with which men act depend peculiarly upon the credit given to witnesses by those who see and hear them. If defendants' witnesses spoke the truth, the findings are admittedly justified. The trial court listened to and observed the officers who had made the records from which the Government would draw an inference of guilt and concluded that they bear a different meaning from that for which the Government contends.
>
> "It ought to be unnecessary to say that Rule 52 applies to appeals by the Government as well as to those by other litigants. There is no exception which permits it, even in an antitrust case, to come to this Court for what virtually amounts to a trial *de novo* on the record of such findings as intent, motive and design. While, of course, it would be our duty to correct clear error, even in findings of fact, the Government has failed to establish any greater grievance here than it might have in any case where the evidence would support a conclusion either way but where the trial court has decided it to weigh more heavily for the defendants. Such a choice between two permissible views of the weight of evidence is not 'clearly erroneous'".

This is not a case in which there is any unsettled or undisputed question of law or any conflict in decision with any other Circuit, and there is no question of general interest or public importance calling for the grant of certiorari.

The Facts Determined on the Rule to Show Cause had not Become *res judicata*

The record does not sustain the contention that the facts determined on the rule to show cause had become *res judicata*.

The Master had found that there had been a violation of the injunction and concluded that there should be an accounting for the post-decree sales of Exhibit 16 frames. The District Court, however, did not adopt these findings and conclusions and incorporate them into the judgment.

The District Court only adopted such findings as were necessary to sustain its judgment, which was concerned only with pre-decree sales.

It cannot be said that the judgment entered by the District Court after the accounting determined that the post-decree sales constituted a violation of the injunction or an infringement of the patent: The judgment was that there should be no accounting for those sales and except for the fact that the Court reserved the question for later proceedings, the judgment would have made the question *res judicata* in favor of the defendant company.

The rule set forth in the cases cited by the petitioners relative to *res judicata* is that questions become *res judicata* only if they have been distinctly put in issue and directly determined by a court of competent jurisdiction.

Here in addition it must be kept in mind that the additional respondents in the contempt proceeding had not been parties to the prior proceedings. The judgment there was not *res judicata* as to them.

There is No Conflict with other Courts on the Infringement Question

Petitioners argue that there is a conflict with the Second Circuit decision in *Freedman v. Overseas Scientific Corporation*, 248 F. 2d 254 (2 Cir. 1957). Their contention is incorrect.

In *Freedman* the invention consisted of dentures having magnets disposed in them so that the repelling forces between like polarities in the magnets would tend to force the denture into place in the mouth of the user. The defendant sold teeth with the magnets incorporated in them. The Court properly found that these teeth did not constitute staple articles suitable for substantial non-infringing use. It was clear that there was no excuse for incorporating the magnet other than to bring the invention into play.

In the present case, there were thousands of frames sold for use without blind guides. The frames were staple articles. They were made in quantities and placed in stock and the users ordered them by telephone just as they would order any other staple article.

Both the District Court and the Court of Appeals recognized that the frames were widely used in a non-infringing way and constitute a staple article.

It is contended that *Henry v. A. B. Dick Co.*, 224 U. S. 1 (1911) is authority for holding that the defendants had the intent to have their frames incorporated in infringing combinations. In *Henry* the certified fact was that the defendant sold the product with the "expectation" that it be used in infringement of the patent. Here the proof was that the defendant company sold the frames expecting them to be used without blind guides and even went so far as to refer those who insisted on blind guides to the plaintiffs.

The Courts below have determined the fact issue on the testimony of witnesses taken in open court. There is no reason for granting a writ of certiorari to review such a case.

Conclusion

It is respectfully requested that the Petition be denied because the record does not present a case calling upon this Court to exercise its supervisory powers.

After an Open Court trial, where the District Court could observe the witnesses, the Court found that the defendants did not have the intent charged. The Court of Appeals found that the evidence supported the finding, and affirmed.

There is no substance to the contention that the judgment heretofore rendered in the case made the issues *res judicata*. The District Court did not pass upon the issues.

There is no conflict with other Circuits. The Court properly concluded that the frames charged to be an infringement were commodities capable of substantial non-infringing use, and hence not infringing.

Respectfully submitted,

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